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BEAUCE PLACER MINING CO. LTD.

(NO PERSONAL LIABILITY)

10

SEVENTH ANNUAL REPORT

Year Ended Dec. 31, 1964



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Beauce Placer Mining Co. Ltd.

(No Personal Liability)

OFFICERS	M. J. BOYLEN, D.C.L., D.Sc. - - - - President
	JAMES K. CROWDY - - - Vice-President and Managing-Director
	GORDON L. MOORE - - - Secretary-Treasurer
	RAYMOND CARON - - - Assistant-Secretary
	CHARLES B. BRANNIGAN - - Assistant-Treasurer
DIRECTORS	M. J. BOYLEN, D.C.L., D.Sc. - - Toronto, Ontario
	JAMES K. CROWDY - - - Seattle, Washington U.S.A.
	ROBERT J. ISAACS - - - Toronto, Ontario
	FRANC R. JOUBIN - - - Toronto, Ontario
	JACQUES TASCHEREAU - - - Montreal, Quebec
HEAD OFFICE	630 Dorchester Boulevard West Montreal 2, Quebec
EXECUTIVE OFFICE	908 - 330 Bay Street - - - Toronto, Ontario
MINE OFFICE	St Georges East, Quebec
AUDITORS	THORNE, MULHOLLAND, HOWSON & McPHERSON - - - Toronto, Ontario
TRANSFER AGENTS	GUARANTY TRUST COMPANY OF CANADA - - - Toronto, Ontario and Montreal, Quebec

Beauce Placer Mining Co. Ltd.

(No Personal Liability)

Directors' Report

TO THE SHAREHOLDERS:

The Seventh Annual Report of the Company, including its financial statements covering the year ended December 31st, 1964, and the Report of the Auditors is presented for your consideration.

The Company's dredging operation near Beauceville, Quebec was on a standby basis throughout 1963 and until June 1964, when work was recommended with the dragline, stripping and widening the partially completed pond. Details in regards to the experimental work, the 1965 operations and exploration are contained in the Report of the Managing Director included as a part of the Annual Report.

The financing arrangements as previously reported to the Shareholders have now been instituted and funds are available for the continuance of operations as planned.

Respectfully submitted on behalf of the Board of Directors,

M. J. BOYLEN,
President.

Toronto, Ontario
June 16, 1965.

THORNE, MULHOLLAND, HOWSON & McPHERSON**CHARTERED ACCOUNTANTS****TORONTO**

OFFICES IN CANADA

GALT	KITCHENER	LONDON
KINGSTON	VANCOUVER	CALGARY
EDMONTON	WINNIPEG	MONTREAL
HALIFAX	SAINT JOHN	MONCTON

OFFICES OUTSIDE CANADA

NASSAU, BAHAMAS
BRIDGETOWN, BARBADOS

SUITE 902

111 RICHMOND STREET WEST
TORONTO 1, ONT.

AUDITORS' REPORT

To the Shareholders of

Beauce Placer Mining Co. Ltd. (No Personal Liability):

We have examined the balance sheet of Beauce Placer Mining Co. Ltd. (No Personal Liability) as at December 31, 1964 and the statements of deficit, exploration and development, and administration and general expenses for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and related statements of deficit, exploration and development, and administration and general expenses are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

Toronto, Canada,
March 15, 1965.

BEAUCE PLACER

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Incorporated und

Balance Sheet —

ASSETS

CURRENT ASSETS:

Cash	\$	2,150.16	
Accounts receivable		12,951.93	
Government of Canada bond on deposit with Quebec Securities Commission, at cost (market value \$935.00)		1,000.00	
Prepaid expenses	42,331.52	\$	58,433.61

STORES AND SUPPLIES, AT COST			14,268.83
OPTION ON PURCHASE OF MINING PROPERTIES (note 1)			2,000.00

FIXED ASSETS, AT COST:

Land		44,632.58	
Drilling and automotive equipment, machinery and furniture		82,881.29	
Dredge and dredging equipment		679,446.53	
Mining rights and properties, at value assigned by directors to 750,000 fully paid shares (10¢ per share) issued as consideration therefor	\$75,000.00		
Value assigned by directors to 300,000 fully paid shares (30¢ per share) issued as consideration for exploration and development expenses of \$100,274.65 on the foregoing mining rights and properties	90,000.00	165,000.00	971,960.40

DEFERRED CHARGES:

Exploration and development expenses	880,106.30		
Administration and general expenses	311,089.07		1,191,195.37

Approved on behalf of the Board:

M. J. BOYLEN, Director.

R. J. ISAACS, Director.

\$ 2,237,858.21

This is the balance sheet referred to in our
THORNE, MU

MINING CO. LTD.

Liability)

the laws of Quebec

December 31, 1964

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 41,205.30	
5% Demand notes and accrued interest payable to shareholders (note 2)	146,225.75	
5% Unsecured, deferred subordinated promissory notes due November 30, 1965	350,000.00	
Accrued interest on subordinated promissory notes	107,691.63	\$ 645,122.68

LONG-TERM LIABILITIES:

6% Deferred demand notes (note 2)	675,000.00	
		<u>1,320,122.68</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 2 and 3):

Authorized, 5,000,000 shares, par value \$1.00 each

Issued:

	No. of shares and par value	Discount	Net
For cash	3,268,134	\$ 2,455,198.10	\$812,935.90
For mining rights and properties	750,000	675,000.00	75,000.00
For exploration and development	300,000	210,000.00	90,000.00
	<u>4,318,134</u>	<u>3,340,198.10</u>	<u>977,935.90</u>

DEFICIT	60,200.37	917,735.53
		<u>\$ 2,237,858.21</u>

Report to the Shareholders dated March 15, 1965.

DALLAND, HOWSON & McPHERSON,

Chartered Accountants.

Beauce Placer Mining Co. Ltd.

(No Personal Liability)

NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1964

1. OPTION ON PURCHASE OF MINING PROPERTIES:

In order to fully exercise the option on mining properties, the company must give notice of intent prior to October 21, 1965. At this time an additional \$40,000.00 becomes payable in yearly instalments based on a percentage of gross recovery of precious metals from these mining properties with a minimum annual instalment of \$500.00.

2. NOTES PAYABLE:

During the year an agreement was entered into whereby the holders of the 6% demand notes would not require payment until all monies have been repaid on the 5% demand notes. The holders of the 5% notes have agreed to advance a total of \$225,000.00 to the company and in consideration thereof were given options to purchase up to 250,000 shares at 10¢ per share, such options to be valid for a period of eighteen months after the amount of \$225,000.00 has been advanced in full.

3. CAPITAL STOCK:

Supplementary Letters Patent have been obtained, increasing authorized capital from 4,000,000 shares to 5,000,000 shares, par value \$1.00 each.

During the year 633,134 shares were issued in settlement of \$63,313.40 in demand notes payable and accrued interest.

STATEMENT OF DEFICIT

Year ended December 31, 1964

Balance at beginning of year		\$59,604.19
<i>Add:</i>		
Loss on sale of fixed assets	\$ 96.18	
Organization expense written off	500.00	596.18
<u>BALANCE AT END OF YEAR</u>		<u>\$60,200.37</u>

Beauce Placer Mining Co. Ltd.

(No Personal Liability)

STATEMENT OF EXPLORATION AND DEVELOPMENT EXPENSES

Year ended December 31, 1964

	Balance December 31, 1963	Expenses during 1964	Balance December 31, 1964
DRILLING	\$183,242.76	\$ —	\$183,242.76
DEVELOPMENT EXPENSES:			
Drainage	34,563.67	—	34,563.67
Access road	1,730.56	—	1,730.56
Dam and dredge pit	4,354.41	—	4,354.41
Cleaning and stripping	119,951.69	—	119,951.69
Dredge into pay area	197,168.59	—	197,168.59
Experimentation and feasibility	—	112,824.29	112,824.29
	357,768.92	112,824.29	470,593.21
Less Preproduction bullion revenue (net)	17,288.23	10,493.65	27,781.88
	340,480.69	102,330.64	442,811.33
PURCHASE OF LAND EASEMENTS	10,535.91	—	10,535.91
MINE OVERHEAD AND INDIRECT EXPENSE:			
Salaries	48,567.93	1,611.19	50,179.12
Rent and services	20,144.81	901.52	21,046.33
Postage, stationery and supplies	3,078.85	39.77	3,118.62
Telephone and telegraph	7,072.14	873.17	7,945.31
New York-Alaska office expense	18,872.76	665.87	19,538.63
Office and warehouse expense	2,889.56	657.66	3,547.22
Supervision	25,667.81	—	25,667.81
General engineering and drafting	13,455.85	—	13,455.85
Travelling and transportation	30,055.84	757.72	30,813.56
Employment service	1,424.35	—	1,424.35
Legal	384.85	—	384.85
Vacation with pay	5,551.01	—	5,551.01
Employee welfare	905.12	—	905.12
Bank charges	687.15	—	687.15
Loss on sale of fixed assets	7,494.59	—	7,494.59
Watchman's salaries and expenses	7,707.96	5,851.75	13,559.71
General insurance	16,258.66	334.49	16,593.15
Employees' group insurance	1,505.86	—	1,505.86
Unemployment insurance and workmen's compensation	16,178.76	809.65	16,988.41
Municipal taxes	1,376.70	246.01	1,622.71
Taxes and licenses	5,559.67	—	5,559.67
Minimum wage expense	238.17	21.19	259.36
Mineral claim renewal fees	1,474.13	—	1,474.13
	236,552.53	12,769.99	249,322.52
	770,811.89	115,100.63	885,912.52
Less Revenue from wood cutting (net)	5,806.22	—	5,806.22
	\$765,005.67	\$115,100.63	\$880,106.30

Beauce Placer Mining Co. Ltd.

(No Personal Liability)

STATEMENT OF ADMINISTRATION AND GENERAL EXPENSES

Year ended December 31, 1964

	Balance December 31, 1963	Expenses during 1964	Balance December 31, 1964
Advertising	\$ 4,629.98	\$ —	\$ 4,629.98
Bank loan interest	68,877.55	5,188.82	74,066.37
Overdraft interest, bank charges and discounts	13,011.21	203.70	13,214.91
Interest on promissory notes	66,185.42	57,373.72	123,559.14
Corporation taxes	679.86	186.25	866.11
Engineering and consulting	3,436.16	—	3,436.16
Legal and audit	14,616.70	2,375.20	16,991.90
Postage, stationery and supplies	6,302.42	435.25	6,737.67
Security and registration expense	1,985.00	150.00	2,135.00
Listing and sustaining fees	2,005.10	390.00	2,395.10
Telephone and telegraph	4,361.14	387.11	4,748.25
Transfer agent and registrar's fees	3,430.22	585.90	4,016.12
Travelling expense	8,413.32	2,450.99	10,864.31
Administration	32,100.00	4,500.00	36,600.00
Reports to shareholders	4,386.45	487.90	4,874.35
Payment to widow of former manager	1,000.00	—	1,000.00
General expense	952.32	1.38	953.70
	<u>\$236,372.85</u>	<u>\$ 74,716.22</u>	<u>\$311,089.07</u>

Beauce Placer Mining Co. Ltd.

(No Personal Liability)

The President and Directors,
Beauce Placer Mining Co. Ltd.,
Suite 908, 330 Bay Street, Toronto 1, Ontario.

Gentlemen:

My report for the year 1964 and to date is herein submitted covering the activities at your Gilbert River, Beauceville, Quebec property.

EXPERIMENTAL WORK

Preparatory work which was started in 1962 was recommenced in June of 1964 with the dragline, stripping and widening the partially completed pond.

Mr. C. M. Ramonowitz, of San Francisco, Consultant, was engaged in an endeavour to work out details of mechanical and operational changes deemed necessary to surmount the unusual problems relative to clay handling at the Beauceville operations, and after consultations with Mr. Ramonowitz it was felt that the clay problem might be solved by the installation of a comparatively simple chute on the outer end of the conveyor. The purpose of this being to pass the troublesome marine clay back further behind the gravel tailings. Such a chute was designed and installed. The work was completed by the end of September, 1964, water levels lowered, and the dredge started digging down to bedrock, which was reached early in October. The chute proved to be successful and the dredge uncovered a total of 25,250 square feet of bedrock before closing down for the season.

The objective in 1964 was to overcome the clay problem and work out the necessary technique for future operations. Yardage and production in this phase were considered of paramount importance. Various adjustments and changes had to be made, both as to machinery and methods. Actual recovery for the limited area mined, amounted to 407 ounces of gold all of which was coarse.

We were unable to add enough make-up water to keep the pond as clean as it should be to ensure saving the fines due to the necessity of carrying the pond level below its natural drainage. While the gold is generally coarse, there is also a considerable percentage of fine gold present. The lack of clean water also caused excessive wear on the pumps and other parts of the dredge. The results indicated that we were too diligent in holding back, not only the clay, but the gravels. We experienced as a result considerable trouble from a lack of adequate spud ground for anchorage which had the effect of reducing our daily yardage to an unsatisfactory level. Actual yardage mined, in the bedrocked area, totalled 42,533 yards.

1965 OPERATIONS

Operations did not start in 1965 until well into the Spring. A governing factor was the non-delivery of some pump parts ordered from San Francisco. The suppliers have not met their promised delivery dates and we have not as yet received our orders. Therefore in order to avoid additional delays we fabricated some parts for the high pressure pump ourselves, and recommenced operations on May 28th, 1965, using only one pump.

The lack of clean water and adequate spud ground as noted in 1964 were our main troubles and to overcome these problems this year we moved the dredge ahead 150 feet, digging on our stern lines to a depth of 14 feet. Upon completion of this phase, on June 5th, 1965 we were then able to use the spud again, and we proceeded to dig down to bedrock, which we expect to reach on June 14th. Ground conditions in this area are better, with a higher percentage of gravel. We do not anticipate any particular difficulty with spud ground and our yardage is already greatly increased.

Dragline stripping of the top is well in advance of the dredge. We are also operating a drill ahead of the dragline, outlining closely the edges of the pay channel, so that we do not strip any unnecessary ground.

PROSPECTING

Later on during the season we will operate one prospect drill on one of our streams which shows promise.

PERSONNEL

There are presently 22 employees, including the drill, office, dredge and dragline.

OUTSIDE EQUIPMENT

The change to natural drainage eliminates the constant use of a rented pump for the pond level. It will also not be necessary to use a rented tractor as much as in 1964.

ACKNOWLEDGEMENTS

I wish to express my thanks to the Officers and Directors, and to the local staff and employees for their continued help and assistance. We have an extremely able crew, headed by Mr. J. T. Toohey, Dredge Master, who has been of invaluable help.

June 12th, 1965.

JAMES K. CROWDY,
Vice-President & Managing Director.

